

CITY OF COOPERSVILLE
OTTAWA COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2005

KIEKOVER, SCHOLMA & SHUMAKER, PC
Certified Public Accountants
Zeeland, Michigan

City of Coopersville, Michigan
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2005

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City of Coopersville, Michigan
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2005

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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Coopersville	County Ottawa
Audit Date 6/30/05	Opinion Date 8/24/05	Date Accountant Report Submitted to State: 10/20/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Kiekoover, Scholma & Shumaker, PC			
Street Address 205 East Main Street	City Zeeland	State MI	ZIP 49464
Accountant Signature <i>Kiekoover, Scholma & Shumaker, PC</i>		Date 10/20/05	

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

August 24, 2005

Honorable City Council
City of Coopersville
Ottawa County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Coopersville, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Coopersville, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Coopersville, Michigan, as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages II through XI and 23 through 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coopersville, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kiekover, Scholma & Shumaker, PC

Management's Discussion and Analysis

As management of the City of Coopersville Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the City's financial statements that follow this section.

Financial Highlights

- The assets of the City of Coopersville exceeded its liabilities at the close of the most recent fiscal year by \$6,141,625 (*net assets*). Of this amount, \$1,846,788 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$229,239. Approximately 94% of this increase (\$215,515) is attributable to net additional investment in capital assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$968,668, an increase of \$70,177 in comparison with the prior year. Approximately 97% of this total amount, \$941,571 is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$628,870 or 29% of total general fund expenditures and transfers out.
- The City's total debt decreased by \$356,275 (11%) during the current fiscal year. This is the result of the City making its required scheduled debt service payments while incurring no new debt during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Coopersville is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the City include water supply and sewage disposal operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also its component unit. The Coopersville Downtown Development Authority, an entity legally separate from the City, is governed by a twelve-member board appointed by the City Council. The Authority is fiscally dependent on the City because tax rates for the Downtown Development Authority district and bonded debt must be approved by the City Council.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirteen (15) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Major Street, and Local Street Funds. Each of these funds is considered to be a major fund. The City of Coopersville has twelve (12) nonmajor funds. These include special revenue funds, debt service funds, capital project funds and one permanent fund. The permanent fund is used to record the activity of the Cemetery Trust. Data from the other twelve governmental funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General, Major Streets and Local Streets Funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

Proprietary funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water supply and sewage disposal operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the rental of machinery, equipment, and vehicles to other departments, and related costs. Because these services predominantly benefit governmental rather than business-type functions, the assets and liabilities of the internal service fund have been included within *governmental activities* in the government-wide statement of net assets.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Supply System and Sewage Disposal System Funds, both of which are considered to be major funds of the City. The proprietary fund financial statements also provide separate information for the internal service fund.

The basic proprietary fund financial statements can be found on pages 6-8 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds. The City accounts for one type of fiduciary funds – agency funds.

The City maintains two agency funds to account for tax collections and the Meadow Green Escrow account.

The basic fiduciary fund financial statements can be found on page 9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting the City of Coopersville's budgetary comparison schedules for its three major funds – General Fund, Major Street Fund and Local Street Fund. Required supplementary information can be found on pages 23-26 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements for the discretely presented component unit are also presented immediately following the required supplementary information. Combining statements can be found on pages 27-28 of this report.

Government-wide Financial Analysis

Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Coopersville, assets exceeded liabilities by \$6,141,625 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (68%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (1.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,846,788) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following table shows, in a condensed format, the net assets of the City of Coopersville as of December 31, 2005 and 2004.

City of Coopersville's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 1,191,664	\$ 1,057,666	\$ 1,025,180	\$ 1,003,560	\$ 2,216,844	\$ 2,061,226
Capital assets	1,752,852	1,702,762	5,220,214	5,411,064	6,973,066	7,113,826
Total assets	<u>2,944,516</u>	<u>2,760,428</u>	<u>6,245,394</u>	<u>6,414,624</u>	<u>9,189,910</u>	<u>9,175,052</u>
Long-term debt outstanding	772,116	1,028,391	2,015,000	2,115,000	2,787,116	3,143,391
Other liabilities	<u>158,453</u>	<u>48,603</u>	<u>102,716</u>	<u>70,762</u>	<u>261,169</u>	<u>119,365</u>
Total liabilities	<u>930,569</u>	<u>1,076,994</u>	<u>2,117,716</u>	<u>2,185,762</u>	<u>3,048,285</u>	<u>3,262,756</u>
Net assets:						
Invested in capital assets, net of related debt	980,736	674,371	3,205,214	3,296,064	4,185,950	3,970,435
Restricted	27,097	21,728	81,790	71,790	108,887	103,518
Unrestricted	<u>1,006,114</u>	<u>987,335</u>	<u>840,674</u>	<u>851,098</u>	<u>1,846,788</u>	<u>1,838,433</u>
	<u>\$ 2,013,947</u>	<u>\$ 1,683,434</u>	<u>\$ 4,127,678</u>	<u>\$ 4,218,952</u>	<u>\$ 6,141,625</u>	<u>\$ 5,912,386</u>

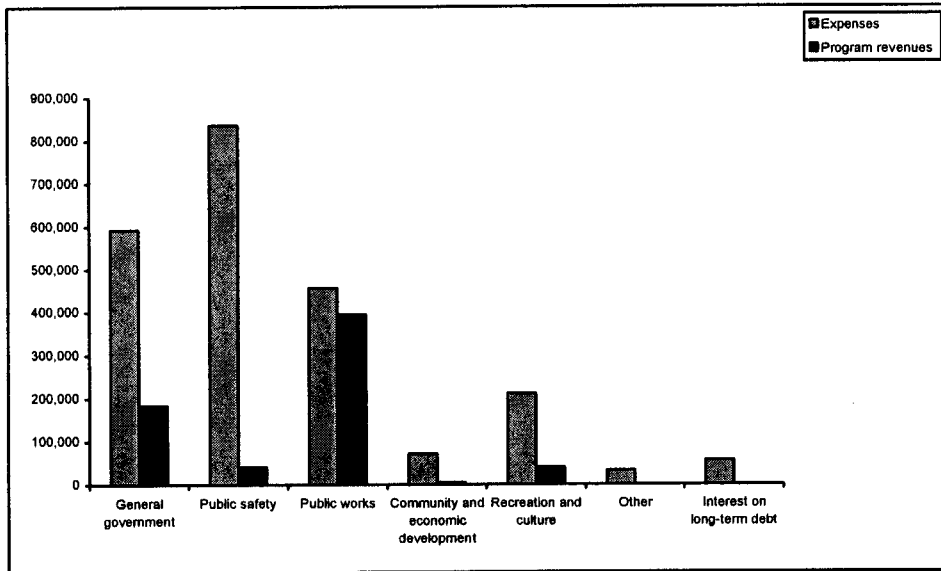
Change in Net Assets - The City of Coopersville's net assets increased by \$229,239 during the current fiscal year. This increase is caused by a \$330,513 increase in net assets of governmental activities and a \$101,274 decrease in net assets of business-type activities.

City of Coopersville's Changes in Net Assets

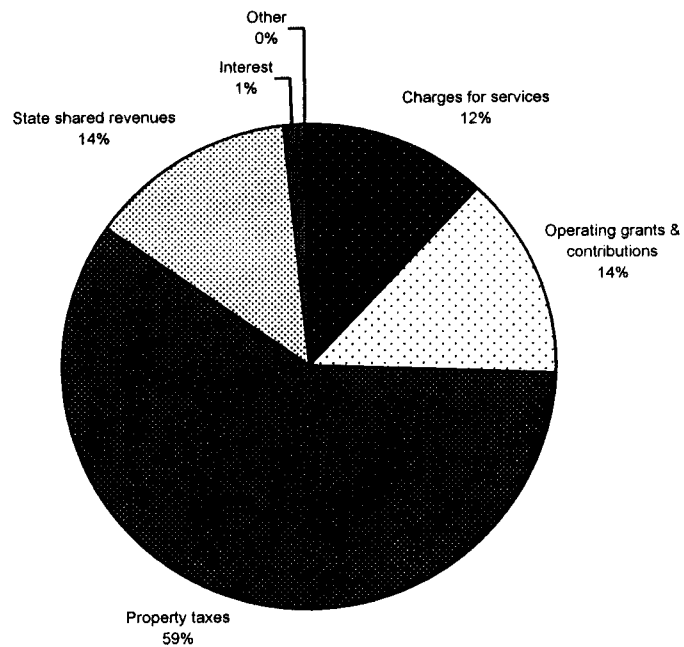
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Program revenues						
Charges for services	\$ 306,405	\$ 330,312	\$ 957,106	\$ 938,713	\$ 1,263,511	\$ 1,269,025
Operating grants and contributions	358,097	311,271	-	-	358,097	311,271
General revenues						
Property taxes	1,525,793	1,374,708	57,016	59,948	1,582,809	1,434,656
State shared revenues	354,770	358,684	-	-	354,770	358,684
Interest	34,943	15,585	16,594	8,931	51,537	24,516
Other	6,971	13,386	17,046	21,211	24,017	34,597
Total revenues	<u>2,586,979</u>	<u>2,403,946</u>	<u>1,047,762</u>	<u>1,028,803</u>	<u>3,634,741</u>	<u>3,432,749</u>
Program expenses						
General government	592,420	558,693	-	-	592,420	558,693
Public safety	835,630	637,308	-	-	835,630	637,308
Public works	457,235	484,904	-	-	457,235	484,904
Community and economic development	71,353	55,597	-	-	71,353	55,597
Recreation and culture	211,230	189,370	-	-	211,230	189,370
Other	32,651	23,949	-	-	32,651	23,949
Interest on long-term debt	55,947	68,819	-	-	55,947	68,819
Water supply	-	-	641,576	639,397	641,576	639,397
Sewage disposal	-	-	507,460	452,545	507,460	452,545
Total expenses	<u>2,256,466</u>	<u>2,018,640</u>	<u>1,149,036</u>	<u>1,091,942</u>	<u>3,405,502</u>	<u>3,110,582</u>
Change in Net Assets	<u>\$ 330,513</u>	<u>\$ 385,306</u>	<u>\$ (101,274)</u>	<u>\$ (63,139)</u>	<u>\$ 229,239</u>	<u>\$ 322,167</u>

Governmental activities. Governmental activities increased the City's net assets by \$330,513 accounting for 144% of the total growth in the net assets of the City. Property taxes increased by \$148,153 (10%) from the prior year. This increase was the result of increased taxable values that allowed the City of Coopersville to increase its property tax revenues even after a reduction in its tax rate of .2183 mills.

Expenses and Program Revenues – Governmental Activities

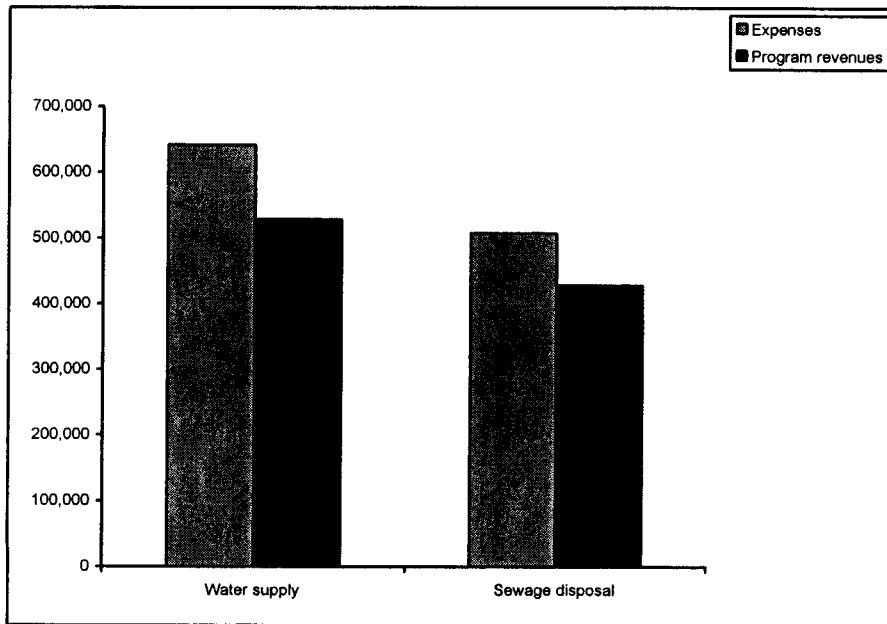


Revenues by Source – Governmental Activities

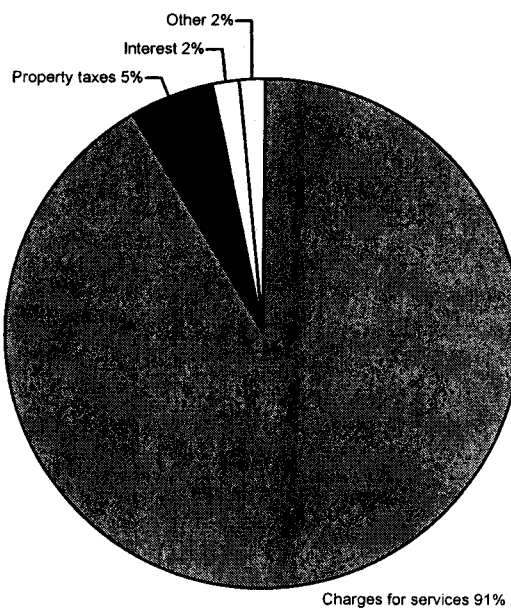


Business-type activities. Business-type activities decreased the City of Coopersville's net assets by \$101,274 (-17%). Operating revenues increased by \$18,393 due mostly to an increase in water and sewage disposal sales. Operating expenses increased by \$57,094 from the prior year, mainly due to increases in sewage disposal operating costs.

Expenses and Program Revenues-Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$968,668, an increase of \$70,177 from the prior year. Approximately 97% of this amount (\$941,571) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for the maintenance of the City of Coopersville's cemetery (\$6,074 non-expendable), construction code activities (\$5,817), and for required debt service (\$15,206).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year fund balance of the General Fund was \$634,687, of which \$628,870 is unreserved and \$5,817 is reserved for construction code activities. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance (\$628,870) represents 29% of total General Fund expenditures and transfers out (\$2,136,995).

The fund balance of the City's General Fund increased by \$55,817 during the current fiscal year. Total revenue sources increased by \$166,125 or 8.3%. Property taxes increased by \$151,086 or 11.0%. State shared revenues decreased by \$18,366 or 4.9%. General Fund expenditures increased by \$154,188 or 10.1%, while transfers out to other funds increased by \$21,699 or 4.9%.

The Major Street Fund has a total fund balance of \$23,379, a decrease of \$47,191 during the year. Total revenues decreased by \$5,908 due mainly to a decrease in other revenues of \$4,472. Transfers from other funds increased by approximately \$94,000 compared to the prior year. Major Street Fund expenditures increased by \$172,577 compared to the prior year. General maintenance costs increased by \$35,545 while construction costs increased by \$137,032.

The Local Street Fund has a fund balance of \$64,548, an increase of \$29,369 during the year. Total revenue decreased by \$1,229, and transfers in increased by \$5,120 from the prior year. Expenditures decreased by \$5,787 from the prior year. General maintenance costs increased by \$16,268 while construction costs decreased by \$22,055.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements (business-type activities), but in more detail.

Unrestricted net assets of the Water Supply System and Sewage Disposal System Funds at the end of the year amounted to \$378,161 and \$427,922, respectively. Decreases in the Water Supply System and Sewage Disposal System Funds' net assets during the current year were \$31,897 and \$66,305, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. The most significant change was to increase estimated expenditures for sheriff and fire protection services. City operational departments also stayed below budget overall, resulting in total expenditures \$57,665 below the final budget.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounted to \$6,973,066 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, and street and sidewalks. The total increase in the City's investment in capital assets for the current fiscal year was \$50,090 (2.9%) for governmental activities. The City's investment in capital assets for the current fiscal year decreased by \$190,850 (3.5%) for business-type activities.

Major capital asset events during the current fiscal year included the following:

- \$37,185 expended for construction of a multi-purpose skating rink
- \$177,522 expended for road improvements
- \$67,185 expended for water tower painting
- \$33,818 expended for a new truck

Additional information on the City's capital assets can be found in note 3C on pages 17-18 of this report.

City of Coopersville's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 130,051	\$ 130,051	\$ 47,250	\$ 47,250	\$ 177,301	\$ 177,301
Construction in progress	74,590	-	-	-	74,590	-
Land improvements	278,139	358,756	-	-	278,139	358,756
Buildings and improvements	892,737	877,489	28,542	30,616	921,279	908,105
Systems	-	-	5,144,232	5,332,653	5,144,232	5,332,653
Machinery, equipment, vehicles	230,747	286,919	190	545	230,937	287,464
Infrastructure	146,588	49,547	-	-	146,588	49,547
Total	<u>\$ 1,752,852</u>	<u>\$ 1,702,762</u>	<u>\$ 5,220,214</u>	<u>\$ 5,411,064</u>	<u>\$ 6,973,066</u>	<u>\$ 7,113,826</u>

Long-term debt. At the end of the current fiscal year, the City had total installment debt outstanding of \$2,787,116. Of this amount, \$772,116 is general obligation debt and \$2,015,000 is paid from specified revenue sources.

City of Coopersville's Outstanding Debt
General Obligation and Revenue Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 320,000	\$ 460,000	\$ -	\$ -	\$ 320,000	\$ 460,000
Michigan transportation bonds	340,000	400,000	-	-	340,000	400,000
Revenue bonds	-	-	705,000	745,000	705,000	745,000
County contractual obligation	-	-	750,000	780,000	750,000	780,000
Michigan Municipal Bond Authority bonds	-	-	560,000	590,000	560,000	590,000
Notes payable	112,116	168,391	-	-	112,116	168,391
Total	<u>\$ 772,116</u>	<u>\$ 1,028,391</u>	<u>\$ 2,015,000</u>	<u>\$ 2,115,000</u>	<u>\$ 2,787,116</u>	<u>\$ 3,143,391</u>

Total outstanding debt decreased by \$356,275 during the current year. This was a result of the City making its required scheduled debt payments of \$356,275 while incurring no new debt.

Additional information on the City's long-term debt can be found in Note 3E on pages 19-20 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's budget for 2005-06 calls for a slight decrease in the overall property tax rate from 14.1918 mills to 14.1558 mills. This can be accomplished because of the stable tax base and, although the overall property tax rate decreased slightly, the decrease is directly tied to the decrease in required payments for water supply and sewage disposal debt service. Because of the impact of Proposal A, however, the City needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than by inflation, before considering new property additions.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, 289 Danforth, Coopersville, MI 49404.

City of Coopersville
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business Type Activities	Total	Component Unit
ASSETS				
Cash and investments	\$ 1,119,791	\$ 710,860	\$ 1,830,651	\$ 57,998
Receivables:				
Accounts	-	173,172	173,172	-
Special assessments	1,305	24,767	26,072	-
Due from component unit	2,607	-	2,607	-
Due from other governments	89,612	-	89,612	-
Internal balances	(34,591)	34,591	-	-
Prepaid items	12,940	-	12,940	-
Restricted cash-revenue bond covenant accounts	-	81,790	81,790	-
Capital assets	<u>1,752,852</u>	<u>5,220,214</u>	<u>6,973,066</u>	-
Total Assets	<u>2,944,516</u>	<u>6,245,394</u>	<u>9,189,910</u>	<u>57,998</u>
LIABILITIES				
Accounts payable	143,596	58,555	202,151	3,293
Accrued liabilities	14,857	19,394	34,251	10,283
Due to city	-	-	-	2,607
Deferred revenue	-	24,767	24,767	-
Noncurrent liabilities:				
Due within one year	158,957	110,000	268,957	130,000
Due in more than one year	<u>613,159</u>	<u>1,905,000</u>	<u>2,518,159</u>	<u>1,055,000</u>
Total Liabilities	<u>930,569</u>	<u>2,117,716</u>	<u>3,048,285</u>	<u>1,201,183</u>
NET ASSETS				
Invested in capital assets, net of related debt	980,736	3,205,214	4,185,950	(1,185,000)
Restricted for:				
Debt service	15,206	81,790	96,996	15,730
Perpetual care-nonexpendable	6,074	-	6,074	-
Construction code activities	5,817	-	5,817	-
Unrestricted	<u>1,006,114</u>	<u>840,674</u>	<u>1,846,788</u>	<u>26,085</u>
Total Net Assets (Deficit)	<u>\$ 2,013,947</u>	<u>\$ 4,127,678</u>	<u>\$ 6,141,625</u>	<u>\$ (1,143,185)</u>

See Notes to Financial Statements

City of Coopersville
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Function/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Component Unit
Primary Government:							
Governmental Activities:							
General government	\$ 592,420	\$ 109,809	\$ 74,314	\$ -	\$ (408,297)	\$ -	\$ -
Public safety	835,630	40,353	-	-	(795,277)	-	-
Public works	457,235	111,398	283,783	-	(62,054)	-	-
Community and economic development	71,353	5,028	-	-	(66,325)	-	-
Recreation and culture	211,230	39,817	-	-	(171,413)	-	-
Other	32,651	-	-	-	(32,651)	-	-
Interest on long-term debt	55,947	-	-	-	(55,947)	-	-
Total Governmental Activities	<u>2,256,466</u>	<u>306,405</u>	<u>358,097</u>	<u>-</u>	<u>(1,591,964)</u>	<u>-</u>	<u>-</u>
Business-type activities:							
Water supply	641,576	528,727	-	-	-	(112,849)	-
Sewage disposal	507,460	428,379	-	-	-	(79,081)	-
Total Business-type Activities	<u>1,149,036</u>	<u>957,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(191,930)</u>	<u>-</u>
Total Primary Government	<u>\$ 3,405,502</u>	<u>\$ 1,263,511</u>	<u>\$ 358,097</u>	<u>\$ -</u>	<u>(1,591,964)</u>	<u>(191,930)</u>	<u>-</u>
Component Unit:							
Downtown Development Authority	<u>\$ 205,107</u>	<u>\$ 11,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(193,503)</u>
General revenues:							
Property taxes					1,525,793	57,016	1,582,809
State shared revenues					354,770	-	354,770
Interest					34,943	16,594	51,537
Other					6,971	17,046	24,017
Total General Revenues					<u>1,922,477</u>	<u>90,656</u>	<u>2,013,133</u>
Change in Net Assets					330,513	(101,274)	229,239
Net Assets (Deficit) - Beginning					<u>1,683,434</u>	<u>4,228,952</u>	<u>5,912,386</u>
Net Assets (Deficit) - Ending					<u>\$ 2,013,947</u>	<u>\$ 4,127,678</u>	<u>\$ 6,141,625</u>
							<u>\$ (1,143,185)</u>

City of Coopersville
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Major Street	Local Street	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 681,345	\$ 74,712	\$ 76,454	\$ 250,324	\$ 1,082,835
Receivables:					
Special assessments	-	1,305	-	-	1,305
Due from component unit	2,607	-	-	-	2,607
Due from other governments	-	12,790	10,371	-	23,161
Prepaid expenses	11,940	-	-	-	11,940
Total Assets	\$ 695,892	\$ 88,807	\$ 86,825	\$ 250,324	\$ 1,121,848
LIABILITIES					
Accounts payable	\$ 54,156	\$ 63,127	\$ 20,411	\$ 4,270	\$ 141,964
Accrued payroll	5,416	688	1,558	-	7,662
Accrued retirement	1,633	308	308	-	2,249
Deferred revenue	-	1,305	-	-	1,305
Total Liabilities	61,205	65,428	22,277	4,270	153,180
FUND BALANCES					
Reserved:					
Debt service	-	-	-	15,206	15,206
Perpetual care-nonexpendable	-	-	-	6,074	6,074
Construction code activities	5,817	-	-	-	5,817
Unreserved-reported in:					
General Fund	628,870	-	-	-	628,870
Special Revenue Funds	-	23,379	64,548	224,774	312,701
Total Fund Balances	634,687	23,379	64,548	246,054	968,668
TOTAL LIABILITIES AND FUND BALANCES	\$ 695,892	\$ 88,807	\$ 86,825	\$ 250,324	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

 General capital assets

1,367,443

 Infrastructure assets

221,178

State shared revenues (sales taxes) collected and held by the State at year end are not considered available to pay for current year expenditures

66,451

Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures

1,305

Interest accrued on outstanding notes payable is not reported in the funds

(4,442)

Long term liabilities are not due and payable in the current period and are not reported in the funds

(660,000)

Internal Service Funds are included as part of governmental activities

53,344

Net Assets of Governmental Activities

\$ 2,013,947

See Notes to Financial Statements

City of Coopersville
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Major Street	Local Street	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,525,793	\$ -	\$ -	\$ -	\$ 1,525,793
Licenses and permits	60,662	-	-	-	60,662
State shared revenues	353,142	203,520	80,263	-	636,925
Local unit contributions	-	-	-	66,349	66,349
Charges for services	164,936	-	-	18,775	183,711
Fines and forfeits	18,247	-	-	-	18,247
Interest and rent	26,733	1,296	326	5,352	33,707
Other	28,756	1,969	-	29,965	60,690
Total Revenues	<u>2,178,269</u>	<u>206,785</u>	<u>80,589</u>	<u>120,441</u>	<u>2,586,084</u>
Expenditures:					
Current:					
General government	469,979	-	-	41,016	510,995
Public safety	714,250	-	-	97,623	811,873
Public works	151,119	315,168	147,785	-	614,072
Community and economic development	71,353	-	-	-	71,353
Recreation and culture	234,840	-	-	2,945	237,785
Other	32,651	-	-	-	32,651
Debt service:					
Principal retirement	-	-	-	200,000	200,000
Interest and fiscal charges	-	-	-	50,178	50,178
Total Expenditures	<u>1,674,192</u>	<u>315,168</u>	<u>147,785</u>	<u>391,762</u>	<u>2,528,907</u>
Excess of Revenues Over (Under) Expenditures	<u>504,077</u>	<u>(108,383)</u>	<u>(67,196)</u>	<u>(271,321)</u>	<u>57,177</u>
Other Financing Sources (Uses):					
Transfers in	14,543	190,000	96,565	358,046	659,154
Transfers out	<u>(462,803)</u>	<u>(128,808)</u>	<u>-</u>	<u>(54,543)</u>	<u>(646,154)</u>
Total Other Financing Sources (Uses)	<u>(448,260)</u>	<u>61,192</u>	<u>96,565</u>	<u>303,503</u>	<u>13,000</u>
Net Change in Fund Balances	55,817	(47,191)	29,369	32,182	70,177
Fund Balances - July 1	<u>578,870</u>	<u>70,570</u>	<u>35,179</u>	<u>213,872</u>	<u>898,491</u>
Fund Balances - June 30	<u>\$ 634,687</u>	<u>\$ 23,379</u>	<u>\$ 64,548</u>	<u>\$ 246,054</u>	<u>\$ 968,668</u>

City of Coopersville
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2005

Net change in fund balances-Total Governmental Funds	\$ 70,177
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Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Current year capital outlays capitalized - general capital assets	59,509
Current year capital outlays capitalized - infrastructure capital assets	176,525
Current year depreciation expense on capitalized assets	(152,541)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds until collected or collectible within 60 days of year end	
State shared revenues	1,628
Special assessment revenues	(1,969)

Repayments of bonds and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	200,000
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In the statement of activities, interest is accrued on outstanding notes payable, whereas in governmental funds, an interest expenditure is reported when due	1,543
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An internal service fund is used by management to charge the costs of certain activities, such as equipment rental, to individual funds. A portion of the net revenue (expenses) of the internal service fund is reported with governmental activities	(24,359)
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Change in net assets of governmental activities	\$ <u>330,513</u>
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City of Coopersville
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

	Enterprise Funds			Internal Service Fund
	Water Supply System	Sewage Disposal System	Total	Equipment Fund
ASSETS				
Current Assets:	\$ 344,423	\$ 366,437	\$ 710,860	\$ 36,956
Cash and investments				
Receivables:	98,265	74,907	173,172	-
Accounts	17,220	7,547	24,767	-
Special assessments	-	-	-	1,000
Prepaid items	459,908	448,891	908,799	37,956
Total Current Assets				
Noncurrent Assets:	-	81,790	81,790	-
Revenue bond covenant accounts	2,188,403	3,031,811	5,220,214	164,231
Capital assets	2,188,403	3,113,601	5,302,004	164,231
Total Noncurrent Assets				
Total Assets	<u>\$ 2,648,311</u>	<u>\$ 3,562,492</u>	<u>\$ 6,210,803</u>	<u>\$ 202,187</u>
LIABILITIES				
Current Liabilities:	\$ 54,746	\$ 3,809	\$ 58,555	\$ 1,632
Accounts payable	7,975	7,905	15,880	-
Accrued liabilities	1,498	1,400	2,898	350
Accrued wages	308	308	616	154
Accrued retirement	65,000	45,000	110,000	58,957
Current portion of long-term debt	129,527	58,422	187,949	61,093
Total Current Liabilities				
Noncurrent Liabilities:	17,220	7,547	24,767	-
Deferred revenue	1,245,000	660,000	1,905,000	53,159
Long-term debt	1,262,220	667,547	1,929,767	53,159
Total Noncurrent Liabilities				
Total Liabilities	<u>1,391,747</u>	<u>725,969</u>	<u>2,117,716</u>	<u>114,252</u>
NET ASSETS				
Invested in capital assets, net of related debt	878,403	2,326,811	3,205,214	52,115
Restricted for debt service-nonexpendable	-	81,790	81,790	-
Unrestricted	378,161	427,922	806,083	35,820
Total Net Assets	<u>\$ 1,256,564</u>	<u>\$ 2,836,523</u>	<u>4,093,087</u>	<u>\$ 87,935</u>
Adjustment to reflect the consolidation of internal service funds activities to enterprise funds			34,591	
Net assets of business-type activities			<u>\$ 4,127,678</u>	

City of Coopersville
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	Enterprise Funds			Internal Service Fund
	Water Supply System	Sewage Disposal System	Total	Equipment Fund
Operating Revenues:				
Water sales	\$ 463,177	\$ -	\$ 463,177	\$ -
Sewage disposal service	-	368,301	368,301	-
Charges for services	-	-	-	162,109
Fees	23,615	750	24,365	-
Total Operating Revenues	486,792	369,051	855,843	162,109
Operating Expenses:				
Cost of water	266,657	-	266,657	-
Operations and maintenance	208,494	322,553	531,047	103,649
Depreciation	112,083	146,582	258,665	77,677
Total Operating Expenses	587,234	469,135	1,056,369	181,326
Operating Income (Loss)	(100,442)	(100,084)	(200,526)	(19,217)
Nonoperating Revenues (Expenses)				
Hook-ups	41,935	59,328	101,263	-
Property taxes	57,016	-	57,016	-
Special assessments	2,654	2,414	5,068	-
Interest income	7,649	8,945	16,594	1,236
Other	11,978	-	11,978	10,862
Interest and fiscal charges	(52,687)	(36,908)	(89,595)	(7,312)
Total Nonoperating Revenues (Expenses)	68,545	33,779	102,324	4,786
Income (Loss) Before Contributions and Transfers	(31,897)	(66,305)	(98,202)	(14,431)
Transfers out	-	-	-	(13,000)
Change in Net Assets	(31,897)	(66,305)	(98,202)	(27,431)
Net Assets - July 1	1,288,461	2,902,828		115,366
Net Assets - June 30	\$ 1,256,564	\$ 2,836,523		\$ 87,935
Adjustment to reflect the consolidation of internal service funds activities to enterprise funds			(3,072)	
Change in net assets of business-type activities			\$ (101,274)	

See Notes to Financial Statements

City of Coopersville
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	Enterprise Funds			Internal Service Fund
	Water Supply System	Sewage Disposal System	Total	Equipment Fund
Cash Flows From Operating Activities:				
Receipts from customers	\$ 474,114	\$ 367,793	\$ 841,907	\$ -
Receipts from interfund services provided	-	-	-	162,109
Payments to suppliers	(323,676)	(185,750)	(509,426)	(76,097)
Payments to employees	(87,910)	(103,105)	(191,015)	(26,242)
Payments for interfund services used	(31,466)	(28,685)	(60,151)	-
Net Cash Provided By Operating Activities	<u>31,062</u>	<u>50,253</u>	<u>81,315</u>	<u>59,770</u>
Cash Flows From Noncapital Financing Activities:				
Other nonoperating revenues	56,567	61,742	118,309	-
Transfers from (to) other funds	-	-	-	(13,000)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>56,567</u>	<u>61,742</u>	<u>118,309</u>	<u>(13,000)</u>
Cash Flows From Capital and Related Financing Activities:				
Construction and purchase of capital assets	(67,815)	-	(67,815)	(44,274)
Proceeds from sale of capital assets	-	-	-	10,862
Principal paid on capital debt	(60,000)	(40,000)	(100,000)	(56,275)
Interest paid on capital debt	(52,687)	(36,908)	(89,595)	(7,312)
Property taxes	57,016	-	57,016	-
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(123,486)</u>	<u>(76,908)</u>	<u>(200,394)</u>	<u>(96,999)</u>
Cash Flows From Investing Activities:				
Interest received on investments	7,649	8,945	16,594	1,236
Net Increase in Cash and Investments	(28,208)	44,032	15,824	(48,993)
Cash and Investments - July 1	<u>372,631</u>	<u>404,195</u>	<u>776,826</u>	<u>85,949</u>
Cash and Investments - June 30	<u>\$ 344,423</u>	<u>\$ 448,227</u>	<u>\$ 792,650</u>	<u>\$ 36,956</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:				
Operating income (loss)	\$ (100,442)	\$ (100,084)	\$ (200,526)	\$ (19,217)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	112,083	146,582	258,665	77,677
Change in assets and liabilities:				
Receivables	(12,678)	(1,258)	(13,936)	-
Accounts payable	29,256	3,639	32,895	806
Accrued and other liabilities	2,843	1,374	4,217	504
Deferred revenue	-	-	-	-
Net Cash Provided By Operating Activities	<u>\$ 31,062</u>	<u>\$ 50,253</u>	<u>\$ 81,315</u>	<u>\$ 59,770</u>
Cash and investments:				
Cash and investments	\$ 344,423	\$ 366,437	\$ 710,860	\$ 36,956
Revenue bond covenant accounts	-	81,790	81,790	-
	<u>\$ 344,423</u>	<u>\$ 448,227</u>	<u>\$ 792,650</u>	<u>\$ 36,956</u>

See Notes to Financial Statements

City of Coopersville
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2005

	Agency Funds
ASSETS	
Cash and investments	<u>\$ 18,594</u>
LIABILITIES	
Due to other units	<u>\$ 18,594</u>

City of Coopersville, Michigan
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Coopersville conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Coopersville:

A. Reporting Entity

The City of Coopersville is governed by an elected mayor and six-member council. The accompanying financial statements present the city and its component units, entities for which the city is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the city's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Unit. The city has no blended component units.

Discretely Presented Component Unit. The Coopersville Downtown Development Authority (DDA) was created to finance improvements within the authority's district of the City. The Authority's twelve member governing board is appointed by the City Council. In addition, the Authority's budget, tax rates and bonded debt are subject to approval by the City Council. The DDA has issued debt, currently receives captured tax increment revenues, and makes debt services payments on \$1,185,000 of outstanding bonds.

Separate financial statements for the Downtown Development Authority are not prepared. The Authority's financial activity is as reflected in these accompanying financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes (state shared revenues) collected and held by the State at year end on behalf of the city and paid to the city at the end of the following August are recognized as revenue in the year received. Such amounts are not normally received within 60 days of the end of the current fiscal year and are budgeted for use by the city in the year received. Other revenue is recorded when received.

The city reports the following major governmental funds:

General Fund - The General Fund is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major and Local Street Funds - The Major Street and Local Street Funds account for the resources of state gas and weight taxes that are restricted for use on major and local streets. They also account for monies received from special taxes levied for street improvement purposes and for monies received from General Fund contributions.

The city reports the following major proprietary funds:

Water Supply System Fund - This fund is used to account for the operation and maintenance of a water distribution system, including storage tanks, pumping stations, distribution mains and services and related equipment. Water is purchased from the City of Grand Rapids for storage and distribution to Coopersville's customers.

Sewage Disposal System Fund - This fund is used to account for the operation and maintenance of a wastewater collection system, lift stations and treatment facility.

Additionally, the city reports the following fund types:

Governmental Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Debt Service Funds - Debt Service Funds account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Project Funds - Capital Project Funds are used for resources accumulated for the acquisition or construction of specific capital projects or items.

Permanent Fund - The Permanent Fund is used to record the activity of the Cemetery Trust which provides funds for the perpetual care of cemetery lots.

Proprietary Funds

Internal Service Fund – The Internal Service Fund accounts for the rental of machinery, equipment, and vehicles to other departments, and related costs.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds - Agency Funds account for assets held by the city in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The city has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's water and sewer functions and various other functions of the city. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewage disposal systems fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. *Bank Deposits and Investments.*

The City maintains separate cash accounts for each of its various funds as well maintaining a pooled cash account to facilitate the management of cash.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

The City's investment policies are governed by state statutes, formal board policy, and administrative procedures. Permissible investments include obligations of the U.S. Treasury and its agencies, Michigan financial institution certificates of deposits and accounts, commercial paper with prescribed ratings, U.S. government repurchase agreements, and mutual funds and investment pools consisting of any of the above. Attorney General's Opinion No. 6168 states that public funds may not be deposited in institutions located in states other than Michigan. The City's deposits are in accordance with statutory authority.

Investments are recorded at fair value.

2. *Receivables and Payables.*

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The property tax receivable allowance is equal to 100 percent of the outstanding property taxes. No allowance for uncollectible accounts is considered for other receivables.

3. *Inventories and Prepaid Items.*

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted Assets.*

Certain cash and receivables of the enterprise funds are classified as restricted assets on the balance sheet because their use is limited for purposes of servicing outstanding enterprise fund general obligation bonded debt.

5. *Capital Assets.*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$0 of interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	5-10
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25
Roads and sidewalks	15-25
Water and sewer systems	10-50

6. *Compensated Absences.*

City employees are entitled to certain compensated absences based on their length of employment. City employees earn vacation in varying amounts based on length of service. Unused vacation time does not accumulate past June 30 of each fiscal year.

Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave accumulates from year to year to a maximum of 120 days of sick leave. Twenty-five percent of unused sick leave is paid to employees at the time termination or retirement. It is the City's policy to recognize the cost of sick leave at the time payments are made and if material, record a liability for employee terminations at year-end..

7. Long-Term Obligations.

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

8. Fund Equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Property Taxes

Property taxes are levied on each July 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge from a period of 45 days from the date the bills are due. After that period of time, three percent penalty and interest at one percent per month are added to all unpaid taxes. The city continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. The county's policy has been to pay the city for all delinquent real property taxes returned. The city continues to collect delinquent personal property taxes.

The City's 2004 ad valorem tax is levied and collectible on July 1, 2004, and is recognized as revenue in the year ended June 30, 2005, when the proceeds of this levy are budgeted and made available for the financing of operations.

The 2004 taxable valuation of the city totaled \$112,602,188 excluding abated valuations, on which ad valorem taxes levied consisted of 13.0000 mills for operating purposes, .7338 mills for sewer debt purposes, and .4580 mills for water debt purposes. This resulted in \$1,159,974 (after adjustment for amounts captured by the DDA) for operating purposes, \$82,620 for sewer debt purposes, and \$51,565 for water debt purposes.

In addition the city's 2004 taxable valuation for abated property totaled \$23,937,284 on which taxes levied consisted of 6.5000 mills for operating purposes, .3669 mills for sewer debt purposes, and .2290 mills for water debt purposes. This resulted in \$170,085 (after adjustment for amounts captured by the DDA) for operating purposes, \$8,782 for sewer debt purposes, and \$5,482 for water debt purposes.

The above amounts are recognized in the General and Water Supply System Funds as tax revenue.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State Construction Code Act – The city oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The city charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

The city accounts for the activity of its building inspection department within its general fund. Following is a summary of the cumulative deficit and activity for the year ended June 30, 2005:

Surplus (deficit) - July 1, 2004		\$ (3,544)
Charges for services	\$ 60,662	
Building inspection expenditures	<u>(51,301)</u>	<u>9,361</u>
Surplus (deficit) - June 30, 2005		<u>\$ 5,817</u>

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of city funds. The investment policy adopted by the city in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The city's deposits and investments are in accordance with statutory authority.

At year-end, the city's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	Component Unit
Cash and investments	\$ 1,119,791	\$ 710,860	\$ 18,594	\$ 1,849,245	\$ 57,998
Revenue bond covenant accounts	-	81,790	-	81,790	-
Total	<u>\$ 1,119,791</u>	<u>\$ 792,650</u>	<u>\$ 18,594</u>	<u>\$ 1,931,035</u>	<u>\$ 57,998</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Component Unit
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 1,479,074	\$ 35,074
Money Market Funds	187,242	19,824
Investments in Investment Pools	<u>264,719</u>	<u>3,100</u>
Total	<u>\$ 1,931,035</u>	<u>\$ 57,998</u>

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the city's deposits may not be returned. The city does not have a deposit policy for custodial credit risk. At year end the bank balance of the city's deposits was \$1,549,361 of which \$948,070 was covered by federal depository insurance and \$601,291 was exposed to custodial credit risk because it was uninsured and uncollateralized. The city believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the city evaluates each financial institution with which it deposits city funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Interest rate risk. Except as limited by state law as listed in the above list of authorized investments the city does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The city has no investment policy that limits its investment choices beyond those required by state law. At year end the city had \$451,961 in permissible money market funds and investment pools that are not separately rated. At year end, the Component Unit had \$22,924 in permissible money market funds and investment pools that are not separately rated.

B. Receivables

Receivables as of year-end for the city's individual major funds, and non-major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Major Street	Local Street	Water Supply System	Sewage Disposal System	Total
Receivables:						
Accounts	\$ -	\$ -	\$ -	\$ 98,265	\$ 74,907	\$ 173,172
Special assessments	-	1,305	-	17,220	7,547	26,072
Component unit	2,607	-	-	-	-	2,607
Intergovernmental	-	12,790	10,371	-	-	23,161
Gross receivables	2,607	14,095	10,371	115,485	82,454	225,012
Allowance for uncollectibles	-	-	-	-	-	-
Net Total Receivables	<u>\$ 2,607</u>	<u>\$ 14,095</u>	<u>\$ 10,371</u>	<u>\$ 115,485</u>	<u>\$ 82,454</u>	<u>\$ 225,012</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	<u>\$ 1,305</u>	<u>\$ -</u>

C. Capital Assets

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 130,051	\$ -	\$ -	\$ -	\$ 130,051
Construction in progress	-	74,590	-	-	74,590
Subtotal	130,051	74,590	-	-	204,641
Capital Assets Being Depreciated					
Building and improvements	1,191,556	50,899	-	-	1,242,455
Land improvements	1,234,876	-	-	-	1,234,876
Machinery and equipment	269,888	-	-	-	269,888
Office furniture and equipment	249,699	8,611	-	-	258,310
Vehicles	110,266	-	-	-	110,266
Equipment-Equipment Fund	393,311	10,456	-	-	403,767
Vehicles-Equipment Fund	316,256	33,817	(19,484)	-	330,589
Infrastructure	49,547	101,935	-	-	151,482
Subtotal	3,815,399	205,718	(19,484)	-	4,001,633
Less Accumulated Depreciation for					
Buildings and improvements	(314,067)	(35,651)	-	-	(349,718)
Land improvements	(876,120)	(80,617)	-	-	(956,737)
Machinery and equipment	(242,327)	(6,200)	-	-	(248,527)
Office furniture and equipment	(226,957)	(10,592)	-	-	(237,549)
Vehicles	(71,285)	(14,587)	-	-	(85,872)
Equipment-Equipment Fund	(302,078)	(34,832)	-	-	(336,910)
Vehicles-Equipment Fund	(209,854)	(42,845)	19,484	-	(233,215)
Infrastructure	-	(4,894)	-	-	(4,894)
Subtotal	(2,242,688)	(230,218)	19,484	-	(2,453,422)
Net Capital Assets Being Depreciated	1,572,711	(24,500)	-	-	1,548,211
Governmental Activities Total					
Capital Assets - Net of Depreciation	\$ 1,702,762	\$ 50,090	\$ -	\$ -	\$ 1,752,852

Business-Type Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated					
Land	\$ 47,250	\$ -	\$ -	\$ -	\$ 47,250
Capital Assets Being Depreciated					
Water systems	\$ 4,417,492	\$ 67,815	\$ -	\$ -	\$ 4,485,307
Sewage systems	5,675,684	-	-	-	5,675,684
Building	82,950	-	-	-	82,950
Machinery and equipment	19,258	-	-	-	19,258
Office furniture and equipment	28,693	-	-	-	28,693
Subtotal	10,224,077	67,815	-	-	10,291,892
Less Accumulated Depreciation for					
Water systems	(2,215,863)	(109,678)	-	-	(2,325,541)
Sewage systems	(2,544,660)	(146,558)	-	-	(2,691,218)
Building	(52,334)	(2,074)	-	-	(54,408)
Machinery and equipment	(18,832)	(331)	-	-	(19,163)
Office furniture and equipment	(28,574)	(24)	-	-	(28,598)
Subtotal	(4,860,263)	(258,665)	-	-	(5,118,928)
Net Capital Assets Being Depreciated	5,363,814	(190,850)	-	-	5,172,964
Business Type Activities Total					
Capital Assets - Net of Depreciation	\$ 5,411,064	\$ (190,850)	\$ -	\$ -	\$ 5,220,214

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$ 103,436
Public safety	23,750
Public works	15,322
Recreation and culture	10,033
Internal service fund depreciation is charged to the various functions based on their usage of the assets	- 77,677
Total Governmental Activities	<u>\$ 230,218</u>
Business-Type Activities	
Water supply	\$ 112,083
Sewage disposal	146,582
Total Business-Type Activities	<u>\$ 258,665</u>

Construction Commitments-The city had no significant construction projects or commitments as of June 30, 2005.

D. Interfund Receivables, Payables and Transfers

At June 30, 2005, there were no interfund balances. Interfund transfers reported in the funds statements were as follows:

Transfers In	Transfers Out					Total
	General Fund	Major Street Fund	Non-major Governmental Funds	Internal Service Fund		
General Fund	\$ -	\$ -	\$ 1,543 (1)	\$ 13,000 (2)		14,543
Major Street Fund	137,000 (3)	-	53,000 (4)	-		190,000
Local Street Fund	47,000 (3)	49,565 (5)	-	-		96,565
Community That Cares Fund	25,000 (3)	-	-	-		25,000
1989 LTGO Bonds Debt Fund	91,453 (6)	-	-	-		91,453
1995 Transportation Bonds Debt Fund	-	31,875 (6)	-	-		31,875
1995 LTGO Bonds Debt Fund	79,350 (6)	-	-	-		79,350
1998 Transportation Bonds Debt Fund	-	47,368 (6)	-	-		47,368
Capital Project	53,000 (7)	-	-	-		53,000
Capital Project - Future Land	30,000 (7)	-	-	-		30,000
	<u>\$ 462,803</u>	<u>\$ 128,808</u>	<u>\$ 54,543</u>	<u>\$ 13,000</u>		<u>\$ 659,154</u>

The following describes the nature of significant transfers:

- (1) Transfer to General Fund to close out debt service funds
- (2) Transfer to General Fund for general operating purposes
- (3) Transfer from General Fund for annual operating purposes
- (4) Transfer from Capital Project Fund for road projects
- (5) 25 percent transfer of gas and weight taxes as allowed by Act 51
- (6) Transfers from Major Street and General Funds for annual debt service requirements
- (7) Transfer from General Fund for capital projects

E. Long-Term Debt

Bond and contractual obligation activity for the City can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds						
1995 Road Construction, interest rates from 5.0%-5.5%, maturing 2005	\$ 500,000	\$ 75,000	\$ -	\$ (75,000)	\$ -	\$ -
1989 Road construction, interest rates from 6.75%-6.9%, maturing 2009	990,000	385,000	-	(65,000)	320,000	70,000
Michigan transportation bonds						
1998 MTF, interest rates from 4.0%-5.0%, maturing 2014	500,000	370,000	-	(30,000)	340,000	30,000
1995 MTF, interest rates from 5.0%-7.0%, maturing 2005	210,000	30,000	-	(30,000)	-	-
Notes payable						
Comerica Bank, interest rate of 4.95%, due 2006	52,715	22,483	-	(11,017)	11,466	11,466
Valley Ridge Bank, interest rate of 4.90%, due 2006	59,098	37,134	-	(11,820)	25,314	12,370
Valley Ridge Bank, interest rate of 4.75%, due 2007	168,515	108,774	-	(33,438)	75,336	35,121
Total Governmental Activities		<u>\$ 1,028,391</u>	<u>\$ -</u>	<u>\$ (256,275)</u>	<u>\$ 772,116</u>	<u>\$ 158,957</u>

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities						
Revenue Bonds						
1989 Sanitary Sewer Revenue, interest rates from 6.6% - 6.9%, maturing 2009	\$ 245,000	\$ 95,000	\$ -	\$ (15,000)	\$ 80,000	\$ 20,000
2001 Sewer System Revenue, interest rates from 4.0% - 5.3%, maturing 2021	700,000	650,000	-	(25,000)	625,000	25,000
County Contractual Obligation						
1978 Water Supply, interest rate of 5.0%, maturing 2018	1,175,000	780,000	-	(30,000)	750,000	30,000
Michigan Municipal Bond Authority						
1998 Drinking Water, interest rate of 2.5%, maturing 2014	746,618	590,000	-	(30,000)	560,000	35,000
Total Business-Type Activities		\$ 2,115,000	\$ -	\$ (100,000)	\$ 2,015,000	\$ 110,000

Bond and contractual obligation activity for the discretely presented component unit can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Downtown Development Authority						
General obligation bonds						
1990 DDA, interest rate of 6.375%, maturing 2002	\$ 995,000	\$ 110,000	\$ -	\$ (110,000)	\$ -	\$ -
1998 DDA, interest rates from 4.1% - 5.0%, maturing 2014	1,000,000	750,000	-	(60,000)	690,000	60,000
1996 DDA, interest rates from 5.2% - 6.75%, maturing 2011	995,000	565,000	-	(70,000)	495,000	70,000
1994 DDA, interest rates from 6.0% - 6.5%, maturing 2004	300,000	40,000	-	(40,000)	-	-
1995 DDA, interest rates from 5.1% - 5.5%, maturing 2005	500,000	75,000	-	(75,000)	-	-
Total Governmental Activities		\$ 1,540,000	\$ -	\$ (355,000)	\$ 1,185,000	\$ 130,000

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended June 30	Governmental Activities		Business-Type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 158,957	\$ 42,405	\$ 110,000	\$ 85,530	\$ 130,000	\$ 61,700
2007	154,769	33,500	115,000	80,670	140,000	55,140
2008	123,390	25,315	120,000	75,550	150,000	47,940
2009	125,000	17,880	135,000	69,945	155,000	40,115
2010	40,000	10,095	125,000	63,843	165,000	31,880
2011-2015	170,000	21,635	680,000	239,040	445,000	50,370
2016-2020	-	-	625,000	85,670	-	-
2021	-	-	105,000	5,697	-	-
Total	\$ 772,116	\$ 150,830	\$ 2,015,000	\$ 705,945	\$ 1,185,000	\$ 287,145

F. Restricted Assets

Restricted assets in the business-type activities are amounts required to be set aside for debt service by Sewage Disposal System Fund revenue bond covenants as follows:

Sewage disposal revenue bond covenant amounts	\$ <u>81,790</u>
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NOTE 4. OTHER INFORMATION

A. Risk Management

The city is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The city has purchased commercial insurance for medical benefit claims. The city participates in the Michigan Municipal League risk pool for workers' compensation claims, general liability, and property loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool operates as a common risk-sharing program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

B. Deferred Compensation Plan

The city offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted for any other use. The Administrators are the agents of the employer for the purpose of providing direction to the custodian of the custodial accounts from time to time for the investment of the funds held in the account, transfer of the assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the city's financial statements.

C. Pension

Plan Description – The City participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 447 N. Canal Rd., Lansing, MI 48917.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by the City Council and requires a contribution from the employees of 4 percent of gross wages for the year ended June 30, 2005.

Annual Pension Cost – For the year ended June 30, 2005 the City's annual pension cost of \$24,090 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 8.66 percent per year, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of any given year's variation from an 8 percent return over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/03	\$ -	100%	None
6/30/04	5,441	100%	None
6/30/05	24,090	100%	None

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UUAL as a Percentage of Covered Payroll [(b-a)/c]</u>
12/31/02	\$ 1,198,475	\$ 1,269,515	\$ 71,040	94%	\$ 667,136	11%
12/31/03	1,253,562	1,372,770	119,208	91%	674,263	18%
12/31/04	1,336,745	1,484,186	147,441	90%	676,657	22%

Required
Supplementary Information

City of Coopersville
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ 1,487,020	\$ 1,487,020	\$ 1,525,793	\$ 38,773
Licenses and permits	31,000	31,000	60,662	29,662
State shared revenues	337,264	337,264	353,142	15,878
Charges for services	147,750	147,750	164,936	17,186
Fines and forfeits	9,250	9,250	18,247	8,997
Interest	9,750	9,750	26,733	16,983
Other	19,200	19,200	28,756	9,556
Total Revenues	<u>2,041,234</u>	<u>2,041,234</u>	<u>2,178,269</u>	<u>137,035</u>
Expenditures:				
Current:				
General Government:				
City Council	22,521	22,521	22,043	478
Manager	100,003	100,003	98,265	1,738
Elections	6,192	6,192	5,508	684
Assessor	25,515	25,515	24,728	787
Attorney	17,500	21,500	19,601	1,899
Clerk	56,430	56,430	55,101	1,329
Board of Review	1,100	1,100	996	104
Treasurer	82,529	82,529	80,286	2,243
Computer services	29,000	29,000	20,940	8,060
Building and grounds	123,174	134,674	131,511	3,163
Cemetery	11,000	11,000	11,000	-
Unallocated	-	-	-	-
Total General Government	<u>474,964</u>	<u>490,464</u>	<u>469,979</u>	<u>20,485</u>
Public Safety:				
Police	26,299	29,249	28,616	633
Sheriff	399,000	428,250	424,326	3,924
Fire department	77,500	105,890	105,890	-
Emergency unit	73,558	73,558	65,912	7,646
Building inspector	40,118	53,868	51,301	2,567
Civil defense	45,398	45,398	38,205	7,193
Total Public Safety	<u>661,873</u>	<u>736,213</u>	<u>714,250</u>	<u>21,963</u>
Public Works:				
Street lighting	32,950	34,575	37,568	(2,993)
Sanitation	88,800	92,570	92,460	110
Storm sewer	22,993	22,993	17,318	5,675
Highway street and bridges	12,000	12,000	3,773	8,227
Total Public Works	<u>156,743</u>	<u>162,138</u>	<u>151,119</u>	<u>11,019</u>

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Community and Economic Development				
Planning and zoning administration	<u>73,605</u>	<u>73,605</u>	<u>71,353</u>	<u>2,252</u>
Recreation and Culture:				
Parks	80,769	112,769	112,689	80
Recreation	98,103	98,103	98,336	(233)
Library	<u>23,815</u>	<u>23,815</u>	<u>23,815</u>	<u>-</u>
Total Recreation and Culture	<u>202,687</u>	<u>234,687</u>	<u>234,840</u>	<u>(153)</u>
Other:				
Insurance	<u>34,750</u>	<u>34,750</u>	<u>32,651</u>	<u>2,099</u>
Total Expenditures	<u>1,604,622</u>	<u>1,731,857</u>	<u>1,674,192</u>	<u>57,665</u>
Excess Of Revenues Over Expenditures	<u>436,612</u>	<u>309,377</u>	<u>504,077</u>	<u>194,700</u>
Other Financing Sources (Uses):				
Transfers in	50,000	50,000	14,543	(35,457)
Transfers out	<u>(462,935)</u>	<u>(462,935)</u>	<u>(462,803)</u>	<u>132</u>
Total Other Financing Sources (Uses)	<u>(412,935)</u>	<u>(412,935)</u>	<u>(448,260)</u>	<u>(35,325)</u>
Net Change in Fund Balances	23,677	(103,558)	55,817	159,375
Fund Balances - July 1	<u>578,870</u>	<u>578,870</u>	<u>578,870</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 602,547</u>	<u>\$ 475,312</u>	<u>\$ 634,687</u>	<u>\$ 159,375</u>

City of Coopersville, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
State shared revenues	\$ 194,000	\$ 194,000	\$ 203,520	\$ 9,520
Interest	600	600	1,296	696
Other	1,629	1,629	1,969	340
Total Revenues	196,229	196,229	206,785	10,556
Expenditures:				
Current:				
Public Works:				
Construction	70,000	106,370	164,524	(58,154)
Surface maintenance	95,691	105,691	100,450	5,241
Winter maintenance	26,564	40,327	40,327	-
Administration	9,868	9,868	9,867	1
Total Public Works	202,123	262,256	315,168	(52,912)
Total Expenditures	202,123	262,256	315,168	(52,912)
Excess Of Revenues Over Expenditures	(5,894)	(66,027)	(108,383)	(42,356)
Other Financing Sources (Uses):				
Transfers in	137,000	137,000	190,000	53,000
Transfers out	(127,743)	(130,743)	(128,808)	1,935
Total Other Financing Sources (Uses):	9,257	6,257	61,192	54,935
Net Change in Fund Balances	3,363	(59,770)	(47,191)	12,579
Fund Balances - July 1	70,570	70,570	70,570	-
Fund Balances - June 30	\$ 73,933	\$ 10,800	\$ 23,379	\$ 12,579

City of Coopersville, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
State shared revenues	\$ 70,933	\$ 70,933	\$ 80,263	\$ 9,330
Interest	20	20	326	306
Other	-	-	-	-
Total Revenues	<u>70,953</u>	<u>70,953</u>	<u>80,589</u>	<u>9,636</u>
Expenditures:				
Current:				
Public Works:				
Construction	2,500	2,500	-	2,500
Surface maintenance	119,299	119,299	99,511	19,788
Winter maintenance	33,134	42,458	37,660	4,798
Administration	10,618	10,618	10,614	4
Total Public Works	<u>165,551</u>	<u>174,875</u>	<u>147,785</u>	<u>27,090</u>
Total Expenditures	<u>165,551</u>	<u>174,875</u>	<u>147,785</u>	<u>27,090</u>
Excess Of Revenues Over (Under) Expenditures	<u>(94,598)</u>	<u>(103,922)</u>	<u>(67,196)</u>	<u>36,726</u>
Other Financing Sources (Uses):				
Transfers in	<u>95,500</u>	<u>98,500</u>	<u>96,565</u>	<u>(1,935)</u>
Net Change in Fund Balances	902	(5,422)	29,369	34,791
Fund Balances - July 1	<u>35,179</u>	<u>35,179</u>	<u>35,179</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 36,081</u>	<u>\$ 29,757</u>	<u>\$ 64,548</u>	<u>\$ 34,791</u>

City of Coopersville, Michigan
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2005

NOTE - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Before June 30, the proposed budget is presented to the City's Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by City Council.

The appropriated budget is prepared by fund, function, and activity. Budgetary control over expenditures is exercised by the City Council. Appropriated budgets are amended by a majority vote of the City Council. The legal level of budgetary control is the activity level. The City Council made several supplemental budgetary appropriations throughout the year.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

B. Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the city incurred expenditures in certain budgeted funds budgeted funds which were in excess of the amounts appropriated, as follows:

Budget Items	Budget <u>Appropriation</u>	Actual <u>Expenditure</u>
General Fund - Public Works - Street lighting	\$ 34,575	\$ 37,568
General Fund - Recreation and Culture - Recreation	98,103	98,336
Major Stret Fund - Public Works - Construction	106,370	164,524

Supplemental Data

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Debt Service Funds

Debt service funds account for resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Funds

Capital project funds are used to account for resources accumulated for the acquisition or construction of specific capital projects or items.

Permanent Funds

The Permanent Fund is used to record the activity of the Cemetery Trust which provides funds for the perpetual care of cemetery lots.

City of Coopersville
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Nonmajor Special Revenue Funds					Debt	
	Coopersville- Polkton Cemetery Authority	Community That Cares	Community Promotions	Budget Stabilization	Total	1989 LTGO Bonds Debt Service	1991 LTGO Bonds Debt Service
ASSETS							
Cash	\$ 69,153	\$ 26,386	\$ 763	\$ 101,446	\$ 197,748	\$ 12,994	\$ -
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ 4,270	\$ -	\$ -	\$ 4,270	\$ -	\$ -
Fund Balances:							
Reserved:							
Debt service-nonexpendable	-	-	-	-	-	12,994	-
Perpetual care-nonexpendable	-	-	-	-	-	-	-
Unreserved-reported in:							
Special Revenue Funds	69,153	22,116	763	101,446	193,478	-	-
Total Fund Balances	69,153	22,116	763	101,446	193,478	12,994	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 69,153	\$ 26,386	\$ 763	\$ 101,446	\$ 197,748	\$ 12,994	\$ -

Service Funds				Capital Projects Funds			Permanent Fund	Total Nonmajor Governmental Funds
1995 Transportation Bonds Debt Service	1995 LTGO Bonds Debt Service	1998 Transportation Bonds Debt Service	Total	Capital Project	Capital Project Future Land	Total	Cemetery Trust	
\$ -	\$ -	\$ 2,212	\$ 15,206	\$ 601	\$ 30,695	\$ 31,296	\$ 6,074	\$ 250,324
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,270
-	-	2,212	15,206	-	-	-	-	15,206
-	-	-	-	-	-	-	6,074	6,074
-	-	-	-	601	30,695	31,296	-	224,774
-	-	2,212	15,206	601	30,695	31,296	6,074	246,054
\$ -	\$ -	\$ 2,212	\$ 15,206	\$ 601	\$ 30,695	\$ 31,296	\$ 6,074	\$ 250,324

City of Coopersville
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	Nonmajor Special Revenue Funds					Debt	
	Coopersville- Polkton Cemetery Authority	Community That Cares	Community Promotions	Budget Stabilization	Total	1989 LTGO Bonds Debt Service	1991 LTGO Bonds Debt Service
Revenues:							
Local unit contributions	\$ 22,000	\$ 44,349	\$ -	\$ -	\$ 66,349	\$ -	\$ -
Charges for services	18,775	-	-	-	18,775	-	-
Interest and rent	867	633	17	1,312	2,829	1,074	19
Other	-	29,965	-	-	29,965	-	-
Total Revenues	<u>41,642</u>	<u>74,947</u>	<u>17</u>	<u>1,312</u>	<u>117,918</u>	<u>1,074</u>	<u>19</u>
Expenditures:							
Current:							
General government	41,016	-	-	-	41,016	-	-
Public safety	-	97,623	-	-	97,623	-	-
Recreation and culture	-	-	2,945	-	2,945	-	-
Debt service:	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	65,000	-
Interest and fiscal charges	-	-	-	-	-	26,585	-
Total Expenditures	<u>41,016</u>	<u>97,623</u>	<u>2,945</u>	<u>-</u>	<u>141,584</u>	<u>91,585</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	626	(22,676)	(2,928)	1,312	(23,666)	(90,511)	19
Other Financing Sources:							
Transfers in	-	25,000	-	-	25,000	91,453	-
Transfers out	-	-	-	-	-	-	(1,135)
Net Change in Fund Balances	626	2,324	(2,928)	1,312	1,334	942	(1,116)
Fund Balances - July 1	<u>68,527</u>	<u>19,792</u>	<u>3,691</u>	<u>100,134</u>	<u>192,144</u>	<u>12,052</u>	<u>1,116</u>
Fund Balances - June 30	<u>\$ 69,153</u>	<u>\$ 22,116</u>	<u>\$ 763</u>	<u>\$ 101,446</u>	<u>\$ 193,478</u>	<u>\$ 12,994</u>	<u>\$ -</u>

Service Funds				Capital Projects Funds			Permanent Fund	Total Nonmajor Governmental Funds
1995 Transportation Bonds Debt Service	1995 LTGO Bonds Debt Service	1998 Transportation Bonds Debt Service	Total	Capital Project	Capital Project - Future Land	Total	Cemetery Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,349
-	-	-	-	-	-	-	-	18,775
4	6	50	1,153	601	695	1,296	74	5,352
-	-	-	-	-	-	-	-	29,965
<u>4</u>	<u>6</u>	<u>50</u>	<u>1,153</u>	<u>601</u>	<u>695</u>	<u>1,296</u>	<u>74</u>	<u>120,441</u>
-	-	-	-	-	-	-	-	41,016
-	-	-	-	-	-	-	-	97,623
-	-	-	-	-	-	-	-	2,945
30,000	75,000	30,000	200,000	-	-	-	-	200,000
<u>1,875</u>	<u>4,350</u>	<u>17,368</u>	<u>50,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,178</u>
<u>31,875</u>	<u>79,350</u>	<u>47,368</u>	<u>250,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>391,762</u>
(31,871)	(79,344)	(47,318)	(249,025)	601	695	1,296	74	(271,321)
31,875	79,350	47,368	250,046	53,000	30,000	83,000	-	358,046
<u>(157)</u>	<u>(251)</u>	<u>-</u>	<u>(1,543)</u>	<u>(53,000)</u>	<u>-</u>	<u>(53,000)</u>	<u>-</u>	<u>(54,543)</u>
(153)	(245)	50	(522)	601	30,695	31,296	74	32,182
<u>153</u>	<u>245</u>	<u>2,162</u>	<u>15,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>213,872</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,212</u>	<u>\$ 15,206</u>	<u>\$ 601</u>	<u>\$ 30,695</u>	<u>\$ 31,296</u>	<u>\$ 6,074</u>	<u>\$ 246,054</u>

Supplemental Data

Discretely Presented Component Unit

General Fund

The General Fund is the Downtown Development Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Debt Service Funds

Debt service funds of the Downtown Development Authority account for resources accumulated and payment made for principal and interest on long-term debt of the Authority.

City of Coopersville
 COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
 COMBINING BALANCE SHEET
 June 30, 2005

ASSETS	General	1990 DDA Debt Fund	1994 DDA Debt Fund	1995 DDA Debt Fund	1996 DDA Debt Fund	1998 DDA Debt Fund	Totals
Cash and investments	\$ 39,744	\$ 3,870	\$ 1,158	\$ 270	\$ -	\$ 12,956	\$ 57,998
Assessments receivable	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 39,744</u>	<u>\$ 3,870</u>	<u>\$ 1,158</u>	<u>\$ 270</u>	<u>\$ -</u>	<u>\$ 12,956</u>	<u>\$ 57,998</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 3,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,293
Deferred revenue	-	-	-	-	-	-	-
Due to primary government	-	2,007	600	-	-	-	2,607
Total Liabilities	<u>3,293</u>	<u>2,007</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,900</u>
Fund Balances:							
Reserved for debt service	-	1,863	558	270	-	12,956	15,647
Unreserved	36,451	-	-	-	-	-	36,451
Total fund balances	<u>36,451</u>	<u>1,863</u>	<u>558</u>	<u>270</u>	<u>-</u>	<u>12,956</u>	<u>52,098</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 39,744</u>	<u>\$ 3,870</u>	<u>\$ 1,158</u>	<u>\$ 270</u>	<u>\$ -</u>	<u>\$ 12,956</u>	

Amounts reported for the Component Unit in the statement of net assets are different because:

Interest accrued on outstanding bonds payable is not reported in the funds	(10,283)
Long term liabilities are not due and payable in the current period and are not reported in the funds	(1,185,000)
Net Assets (Deficit) of the Component Unit	<u>\$ (1,143,185)</u>

City of Coopersville
 COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 Year Ended June 30, 2005

	General	1990 DDA Debt Fund	1994 DDA Debt Fund	1995 DDA Debt Fund	1996 DDA Debt Fund	1998 DDA Debt Fund	Totals
Revenues:							
Taxes	\$ 400,000	\$ 117,134	\$ 41,300	\$ -	\$ -	\$ -	\$ 558,434
Charges for services	11,604	-	-	-	-	-	11,604
Interest	3,822	837	115	6	-	288	5,068
Other	-	-	-	-	-	-	-
Total Revenues	<u>415,426</u>	<u>117,971</u>	<u>41,415</u>	<u>6</u>	<u>-</u>	<u>288</u>	<u>575,106</u>
Expenditures:							
Current:							
Community and economic development	127,778	-	-	-	-	-	127,778
Debt Service:							
Principal retirement	-	110,000	40,000	75,000	70,000	60,000	355,000
Interest and fiscal charges	-	7,237	1,300	4,350	32,800	35,555	81,242
Total Expenditures	<u>127,778</u>	<u>117,237</u>	<u>41,300</u>	<u>79,350</u>	<u>102,800</u>	<u>95,555</u>	<u>564,020</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>287,648</u>	<u>734</u>	<u>115</u>	<u>(79,344)</u>	<u>(102,800)</u>	<u>(95,267)</u>	<u>11,086</u>
Other Financing Sources (Uses):							
Transfers in	-	-	-	79,350	102,800	95,555	277,705
Transfers out	(277,705)	-	-	-	-	-	(277,705)
Total Other Financing Sources (Uses)	<u>(277,705)</u>	<u>-</u>	<u>-</u>	<u>79,350</u>	<u>102,800</u>	<u>95,555</u>	<u>-</u>
Net Change in Fund Balances	9,943	734	115	6	-	288	11,086
Fund Balances, July 1	<u>26,508</u>	<u>1,129</u>	<u>443</u>	<u>264</u>	<u>-</u>	<u>12,668</u>	
Fund Balances, June 30	<u>\$ 36,451</u>	<u>\$ 1,863</u>	<u>\$ 558</u>	<u>\$ 270</u>	<u>\$ -</u>	<u>\$ 12,956</u>	

Amounts reported for the Component Unit's activities in the statement of activities are different because:

In the statement of activities, interest is accrued on outstanding bonds payable, whereas in governmental funds, an interest expenditure is reported when due

3,913

Repayments of bonds payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

355,000

Change in Net Assets of the Component Unit

\$ 369,999